

Fiscal Highlights

Federal FY 2013 Budget Deficit Estimate Has Dropped to \$642 Billion - Steven M. Allred

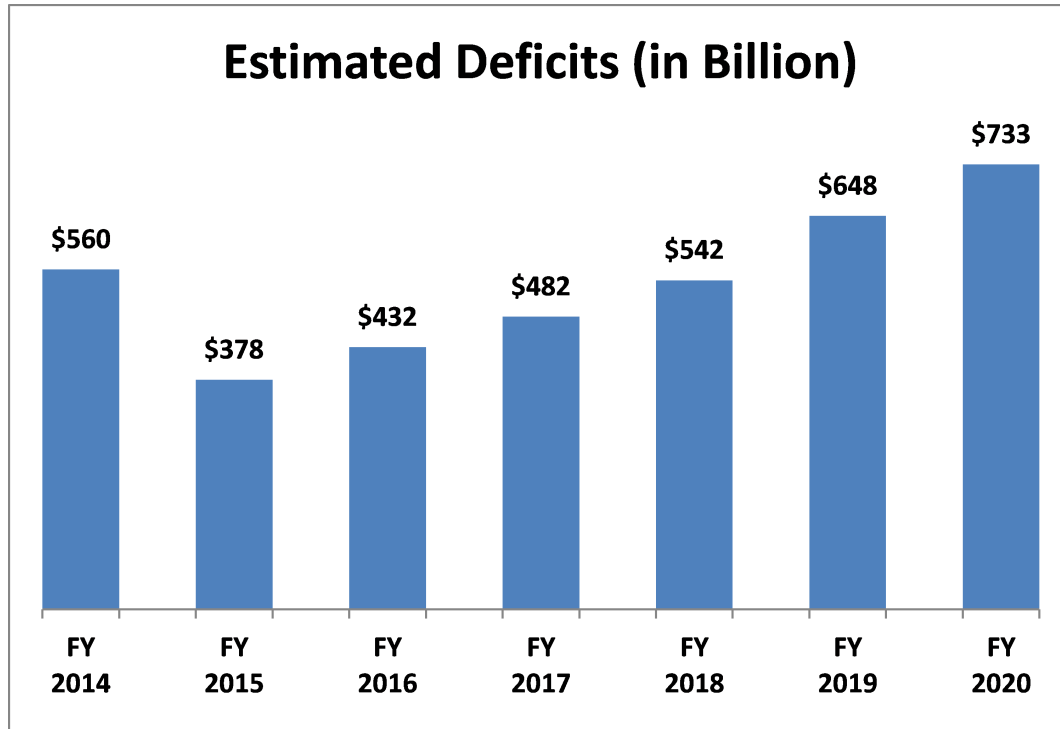
The non-partisan Congressional Budget Office (CBO) has revised its FY 2013 federal deficit estimate to \$642 billion, or 4% of the nations Gross Domestic Product, based on revenues of \$2,813 billion and outlays of \$3,455 billion. The revised deficit estimate is down \$203 billion compared to the \$845 billion projected in February. Prior year deficits were \$1,087 billion in FY 2012 and approximately \$1,300 billion in each of FY 2011 and FY 2010.

The CBO says the \$203 billion reduction doesnt come from the \$85 billion in mandatory sequestration cuts, or from the package of tax increases that Congress passed this winter to avoid the fiscal cliff. The office had already incorporated those factors into its February forecasts. Rather, it comes from higher than expected tax payments from individuals and businesses as well as higher payments from Fannie May and Freddie Mac, the mortgage companies the federal government took over.

The federal government actually had a revenue surplus of \$113 billion in April. Utah likewise saw larger than expected income tax payments in April. However, as stated in our June Revenue Update, larger than expected April income tax payments were "due largely to federal tax changes which caused taxpayers to shift gains into tax year 2012. Revenue resulting from this shift should be treated as one-time in the budgeting process."

If the FY 2013 estimate holds true, it will postpone the need for a vote to increase the nations debt ceiling from this summer to sometime around October or November.

For the future, CBO estimates deficits as low as \$378 billion in FY 2015, then increasing each year thereafter because of health care costs for an aging population and increasing interest payments on debt.



CBOs report is available here: <http://cbo.gov/publication/44172>.